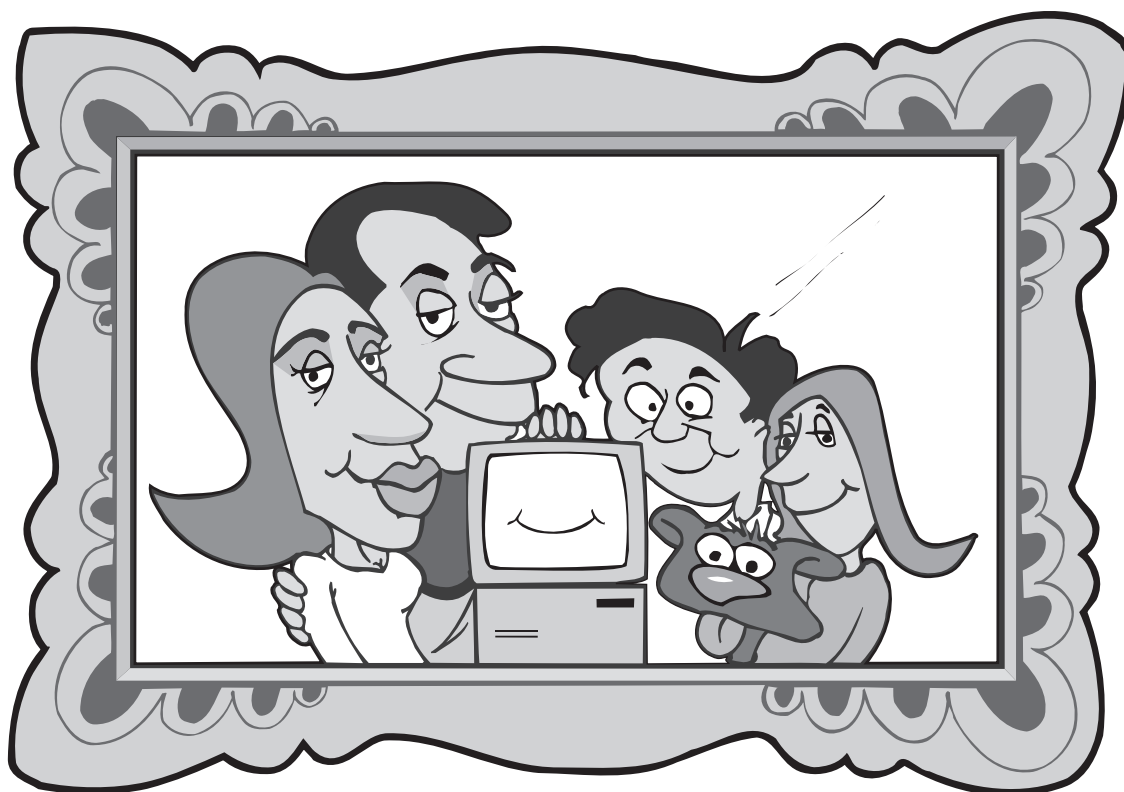


The Federal Family Education Loan Program

**Subsidized Federal Stafford Loan
Unsubsidized Federal Stafford Loan
Federal PLUS Loan**



SUBSIDIZED FEDERAL STAFFORD LOAN

The Federal Stafford Loan program is designed to provide money to the student for the cost of attending an eligible postsecondary institution.

Eligibility for the subsidized Federal Stafford Loan is based on financial need.

Loan Limits: A student may borrow up to the maximum grade level loan limit. A school may choose to limit borrowing to one maximum loan limit per grade level.

The federal government pays the **interest** to the lender on the student's behalf while the student remains enrolled in school on an at least half-time basis. The student is not required to make any payments, and is not responsible for interest until the student drops below half-time attendance (and the grace period has expired).

Repayment Begin Date: Once the student drops below half-time attendance, there is a six-month "grace period" before the first payment is due. During the grace period, the federal government continues to pay the interest, and the borrower is not required to make payments.

Generally, the **maximum repayment** term is 10 years, and the minimum monthly payment amount is \$50. (See page 32 for more information on repayment schedules.)

All loans first disbursed on or after July 1, 1998 will have a variable interest rate that changes each July 1. The rate is equal to the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction prior to June 1, plus:

- 1.7 percent while the loan is in an in-school, grace, or authorized deferment status
- 2.3 percent while the loan is in repayment or forbearance status

See the Interest Rate Chart on page 31 of this guide.

UNSUBSIDIZED FEDERAL STAFFORD LOAN

The unsubsidized Federal Stafford Loan program was created in 1992 and provides financial assistance to middle income students.

Eligibility for the unsubsidized Federal Stafford Loan is not based on financial need.

A student may not borrow more than the appropriate **loan limit**, including any amount of subsidized Federal Stafford Loan for which the student may be eligible.

Principal payments are not due as long as the student remains enrolled at least half-time at an eligible institution.

Interest begins to accrue on the loan as soon as it is disbursed. The borrower may choose to pay the interest or defer it as long as he/she remains enrolled at least half-time at an eligible institution. However, if the borrower chooses to defer payment of interest, the lender will capitalize it (add it to the principal balance) and increase the borrower's total debt.

Repayment Begin Date: Once the student drops below half-time attendance, there is a six-month "grace period" before the first payment is due. Keep in mind, however, that interest will continue to accrue during the grace period and will be capitalized onto the principal amount of the loan.

The **maximum repayment** term is generally 10 years, and the minimum monthly payment amount is \$50.

All loans first disbursed on or after July 1, 1998 will have a variable interest rate that changes each July 1. The rate is equal to the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction prior to June 1, plus:

- 1.7 percent while the loan is in an in-school, grace or authorized deferment status
- 2.3 percent while the loan is in repayment or forbearance status

See the Interest Rate Chart on page 31 of this guide.

FEDERAL PLUS LOAN

The Federal Parent Loans for Undergraduate Students (PLUS) program is designed for middle-income parents with dependent students.

Eligible parent borrowers are:

- * Biological parents
- * Adoptive parents
- * Legal guardians of the student
- * A step-parent, if that spouse's income and assets would have been taken into account when calculating a dependent student's expected family contribution.
(A noncustodial step-parent is not eligible.)

Eligibility is not based on financial need but determined by an evaluation of the cost of education minus other estimated financial assistance the student will receive.

Lenders **must** perform a credit check before approving a Federal PLUS loan.

Federal PLUS loans must be multiply disbursed.

The federal government does NOT pay an interest subsidy to the lender, and repayment of a Federal PLUS loan begins on the date the last disbursement is made.

The interest rate on Federal PLUS loans is a variable rate that changes each year on July 1 and is based on the bond equivalent rate of the 91-day Treasury Bill auctioned at the final auction prior to June 1, plus 3.10 percent and capped at 9 percent. See the Interest Rate Chart on page 31 of this guide.

Federal PLUS loan checks must be made copayable to the borrower and to the school and must be disbursed to the school.

ADVERSE CREDIT

A lender must obtain a credit history for all Federal Parent Loans for Undergraduate Students (PLUS) applicants from at least one national credit bureau organization.

Adverse credit may be defined as:

1. The applicant(s) is 90 or more days delinquent on the repayment of any debt

OR

2. The applicant(s) has been the subject of a default determination, write-off of a Title IV debt, foreclosure, bankruptcy discharge, repossession, tax lien, or wage garnishment during the last five years.

A lender may have more strict standards than these.

NOTE: Regardless of whether a parent was previously denied a Federal PLUS loan due to adverse credit, a lender must obtain (and evaluate) a new credit report each time a parent applies for a Federal PLUS loan. [34 CFR 682.201 (b)(1)(vii)(B)]

Example: A parent applies for a Federal PLUS loan for the 1997-98 academic year. The lender runs a credit report in September 1997 and discovers the applicant went through foreclosure in 1996.

If the same parent applies for a Federal PLUS loan for the 1998-99 academic year, the lender must obtain a new credit report even though the foreclosure will make the parent ineligible again.

Lenders are permitted to approve the Federal PLUS loan if the borrower is able to demonstrate that extenuating circumstances caused the credit problem.

[34 CFR 682.201 (b)(1)(vii)(C) and (F)]

A borrower with an adverse credit history may also obtain a credit-worthy endorser.

New Interest Rates Chart

July 1, 1998 to June 30, 1999

#	LOAN TYPE	LOANS DISBURSED	EFFECTIVE FOR	INTEREST CAP	T-BILL + FACTOR =		INTEREST RATE FOR 07/01/97 – 06/30/98	INTEREST RATE FOR 07/01/98 – 06/30/99
1	Stafford	07/01/88 to 09/30/92	borrowers subject to old windfall profits	10.0%	5.16	3.25	8/8.41%	8/8.41%
2	Stafford	07/23/92 to 09/30/92	borrowers subject to new windfall profits	8/10%	5.16	3.10	8/8.26%	8/8.26%
3	Stafford	07/23/92 to 09/30/92	borrowers subject to new windfall profits	7.0%	5.16	3.10	7%	7%
4	Stafford	07/23/92 to 09/30/92	borrowers subject to new windfall profits	8.0%	5.16	3.10	8%	8%
5	Stafford	07/23/92 to 09/30/92	borrowers subject to new windfall profits	9.0%	5.16	3.10	8.26%	8.26%
6	Stafford	10/01/92 to 06/30/94	new borrowers	9.0%	5.16	3.10	8.26%	8.26%
7	Stafford	07/01/94 to 06/30/95	all new loans	8.25%	5.16	3.10	8.25%	8.25%
8	Stafford	07/01/95 to 06/30/98	all new loans	8.25%	5.16	$\frac{2.5^*}{3.1^{**}}$	$\frac{7.66\%^*}{8.25\%^{**}}$	$\frac{7.66\%^*}{8.25\%^{**}}$
9	Stafford	07/01/98 to 06/30/99	all new loans	8.25%	5.16	$\frac{1.7^*}{2.3^{**}}$	N/A	$\frac{6.86\%^*}{7.46\%^{**}}$
10	SLS or PLUS	07/01/87 to 09/30/92	new loans	12.0%	5.43	3.25	9.13%	8.68%
11	SLS	10/01/92 to 06/30/94	new loans	11.0%	5.43	3.10	8.98%	8.53%
12	PLUS	10/01/92 to 06/30/94	new loans	10.0%	5.43	3.10	8.98%	8.53%
13	PLUS	07/01/94 to 06/30/98	new loans	9.0%	5.43	3.10	8.98%	8.53%
14	PLUS	07/01/98 to 06/30/99	new loans	9.0%	5.16	3.10	N/A	8.26%

* during interim, grace, & authorized deferment periods

** during repayment periods

Federal Stafford Loan Limits

BORROWER'S ACADEMIC LEVEL	DEPENDENT STUDENT	INDEPENDENT STUDENT		
	<i>Sub + Unsub</i>	<i>Base Amount Sub + Unsub</i>	<i>Additional Unsubsidized</i>	<i>Total Sub + Unsub</i>
First-Year Undergraduate Student <ul style="list-style-type: none"> • one academic year in length • 2/3 academic year in length • 1/3 academic year in length 	\$2,625 prorated prorated	\$2,625 prorated prorated	\$4,000 prorated prorated	\$6,625 prorated prorated
Second-Year Undergraduate Student <ul style="list-style-type: none"> • one academic year in length • 2/3 academic year in length • 1/3 academic year in length 	\$3,500 prorated prorated	\$3,500 prorated prorated	\$4,000 prorated prorated	\$7,500 prorated prorated
Third-Year & Remaining Undergraduate Student <ul style="list-style-type: none"> • one academic year in length • less than an academic year 	\$5,500 prorated	\$5,500 prorated	\$5,000 prorated	\$10,500 prorated
Graduate or Professional Student	N/A	\$8,500	\$10,000	\$18,500

INCREASED UNSUBSIDIZED LOAN AMOUNTS FOR CERTAIN HEALTH PROFESSIONS STUDENTS

For any loan period that begins prior to July 1, 1999, annual unsubsidized loan limits may be increased for students who would have been eligible for Health Education Assistance Loan (HEAL) program funds in a course of study for health care professionals and are attending a school that meets the following criteria:

- The school disbursed HEAL program funds during Federal Fiscal Year (FFY) '95 (the period from October 1, 1994 through September 30, 1995), and
- The school did not withdraw, or had not been terminated, from the HEAL program subsequent to FFY '95.

For loan periods that began on or after May 15, 1998, schools could award the increased amounts to all otherwise eligible health professions students without regard to those students' earlier eligibility for HEAL. No student could receive additional unsubsidized funds if the student also received funding under HEAL for all or any portion of the same loan period. Unsubsidized limits could be increased only to the maximum for which the particular program would have been eligible under HEAL. It is the school's responsibility to determine the correct amount for which the borrower is eligible based on the type and duration of the program.

The aggregate limit for unsubsidized loans for graduate and professional health professions students who are eligible to receive additional unsubsidized loan amounts is \$189,125, less the aggregate amount of any subsidized loans made to the student. The aggregate unsubsidized loan limit for undergraduate pharmacy students who are eligible to receive increased amounts of unsubsidized funds because of the phase-out of the HEAL program is \$70,625, less the aggregate amount of any subsidized loans made to the student.

The authority of eligible institutions to award increased unsubsidized amounts under circumstances described above has been extended indefinitely.

[GEN-98-18, GEN-98-23; GEN-99-7]